



Ministry of Finance and Treasury

Finance Circular 01/2024

TO: Permanent Secretaries
Secretary to Prime Minister
Secretary to Cabinet
Clerk to National Parliament
Private Secretary to Governor General
Auditor General

Ref: RF461/7/10

Date 17th June 2024

SUBJECT: MITIGATING FISCAL POLICY MEASURES – SIG 2024 BUDGET RESERVATIONS

Introduction

1. This Circular serve to inform you and elaborate on the execution of the decision of the Minister of Finance in exercising his authority pursuant to **Section 56(2) of the PFM Act 2013** in the reservation of **SBD 250 million** of the Budget 2024 appropriations as advised by the Permanent Secretary on 24th May 2024 by reason of financial exigencies.
2. In this regard, this Circular constitutes the delegation of Section 56(2) of the PFM Act 2013 to myself to limit the accounting warrant authority I had issued earlier in my memorandum of January 2, 2024 in respect of the Other Charges in the Recurrent Estimates as set out in the 2024 Approved Recurrent Estimates, Budget Paper Volume 2.
3. As the Accountable Officer, you are responsible for the management and monitoring of expenditure for your Ministry as provided for by Section 12 of the Public Financial Management Act 2013. To this end, you are reminded of the requirements of the FI P5 (82) dealing with the prevention of expenditure in excess of that provided by through the execution of this authority under Section 56(2) of the Public Financial Management Act 2013.
4. The fiscal position of SIG remains strained and SIG expenditure outflows are increasingly exceeding revenue and other financing sources (budget support and borrowing inflows). The uncertainties surrounding these financing sources (budget support and borrowings) in terms of timing and amounts means that normal revenue

streams are meeting both recurrent and development budget outflows, which are straining normal cash flow.

5. To provide a background, the precarious cash flow situation projected to the end of the year is a result of;
 - i. Slow revenue collections from Other Ministries (non-tax) during the first 5 months of the year.
 - ii. A substantial financial gap of **SBD 279.7 million** for the recurrent budget.
 - iii. Heavy expenditure commitments in the 2024 Annual Budget for critical operational and development commitments that have been incurred till date.
6. Caucus and Cabinet have acknowledged the challenging fiscal situation faced by SIG, and that cash inflows, via revenue collections, budget support and borrowings, will not be sufficient to fully finance the 2024 Annual Budget. To address this shortfall, Cabinet has approved the mitigating policy measures required, as outlined in the subsequent sections.
7. The 2024 Annual Budget Reservation exercise entails the apportionment of each recurrent (other charges) non-discretionary expenditure line item unspent portion, to be reserved as a proportion of the targeted SBD 250 million.
8. As notified on 31st of May 2024, via email from the Accountant General to all Financial Controllers, the execution of these measures requires your support and collaboration, as Accountable Officers under the PFM Act 2013, along with your subordinates at all levels at your respective ministry.
9. It is imperative to implement these reservation measures to safeguard payroll and essential expenditure including SIG non-discretionary budget lines that have been spared any reservation at this stage.
10. The onus lies with each Ministry to adhere to and enforce Cabinet's decision and refrain from entering into any commitment to incur SIG expenditure with an exception to the specified areas, which have strictly met all the procurement and payment requirements. These measures must be applied consistently and effectively, with only the priority exceptions allowed, as specified in the following sections.

Mitigating Policy Measures

Budget Support

11. MOFT, in conjunction with MFAET and OPMC, is also working closely with development partners to increase budget support and also bring forward earlier the disbursements.

Enhancing Revenue

12. Revenue collections will be strengthened through enhanced compliance, reinforcing capacity and better collaboration at the border between IRD, Customs, and other Government Agencies
13. The Exemptions Committee will be looking at confining its concessions only to those directly related to investment inflows for major government investment. Exemption on discretionary items such as vehicle and machineries will be restricted.
14. For other government revenue, Ministries that are collection points are instructed to conduct timely receipting (particularly MLHS, MFMR, MCILI) of collections, and end of day processing (pay over) of cash and cash reconciliation and reporting, in line with the Interim Financial Instructions.
15. Implement Government Agencies Forestry/Logging Camps Joint Operation and Review of the Log Determine Value.

Expenditure Measures

16. The government is putting in place stringent expenditure measures to target resources towards critical priorities and deferring or stopping lower priorities and unproductive expenditures that may lead to abuse, misuse and wasteful spending.
17. Prioritization ranking order of Non-Discretionary and policy priorities:
 - a) Payroll;
 - b) Debt Servicing;
 - c) Essential services– Health/Education/Provincial grants and supplies (medicine, drugs, rations etc.), Police and Corrections supplies and rations, and for all ministries - utility service (electricity, water, telecom, fuel, gas, security, internet), office and house rent, scholarships and public servants' annual leave;
18. Reservations (full embargo) on expenditures that are unnecessary and evidently bear significant wastage, excess, abuse and mismanagement like:
 - a) Overseas travel (except for those requiring mandatory SIG ministerial representation in international and regional agencies) and in-service (short term) training;
 - b) Domestic travel for monitoring assessments, consultations, workshops, farewells etc.;
 - c) Consultations, workshops, and meetings;
 - d) Advance Payments for which goods and services have not been delivered will not be accepted because SIG has no contractual commitment to pay. LPOs will be accommodated instead but only for essentials and non-discretionary items.
 - e) Special imprest payments will not be accepted, other than for critical services like court circuits, medical visits, etc.
19. The burden of responsibility is therefore upon us as Accountable Officers to refrain from entering into new or additional commitments that do not qualify under the measures and/or have not been properly vetted and cleared through the procurement

and payments process. The Simple Procurement process is often prone to abuse, resulting in the accumulation of unpaid commitments. Therefore, more rigorous compliance checks will be reinforced. Any ambiguity or loosening of these critical expenditure measures will undermine the overall objectives as approved by Caucus and Cabinet.

20. The Budget reservations per budget line item (by financial dimensions) for your respective Ministry is outlined in the attached.
21. In conclusion, I would like reiterate our sincere appreciation for the strong support and collaboration in the recent past, having successfully managed the 2020-2022 Covid-19 challenges, the 2023 Pacific Games and 2024 National Elections thus far. We would like to once again call upon your diligent support and collaboration in the effective execution of these measures.


Mckinnie P. Dentana
Permanent Secretary
Ministry of Finance and Treasury

